

FEDERAL DEPOSIT INSURANCE CORPORATION

WASHINGTON, D.C.

AND

COMMONWEALTH OF KENTUCKY

DEPARTMENT OF FINANCIAL INSTITUTIONS

FRANKFORT, KENTUCKY

In the Matter of	)	
	)	
FIRST SECURITY TRUST BANK, INC.	)	
FLORENCE, KENTUCKY	)	CONSENT ORDER
	)	
	)	
(Kentucky Chartered Insured	)	FDIC-13-125b
Nonmember Bank)	)	

First Security Trust Bank, Inc., Florence, Kentucky ("Bank"), having been advised of its right to a NOTICE OF CHARGES AND OF HEARING detailing the unsafe or unsound banking practices alleged to have been committed by the Bank, and of its right to a hearing on the charges under section 8(b) of the Federal Deposit Insurance Act ("Act"), 12 U.S.C. § 1818(b), and under section 286.3-690 of the Kentucky Revised Statutes, Ky. Rev. Stat. Ann. §§ 286.3-690 (Michie 2006), regarding hearings before the Department of Financial Institutions for the Commonwealth of ("KDFI"), and having waived those rights, entered into a STIPULATION

AND CONSENT TO THE ISSUANCE OF A CONSENT ORDER
("STIPULATION") with representatives of the Federal Deposit
Insurance Corporation ("FDIC") and the KDFI, dated May 31,
2013, whereby, solely for the purpose of this proceeding
and without admitting or denying the charges of unsafe or
unsound banking practices relating to Asset Quality,
Management, Earnings and Capital, the Bank consented to the
issuance of a CONSENT ORDER ("ORDER") by the FDIC and KDFI.

The FDIC and the KDFI considered the matter and
determined to accept the STIPULATION.

Having also determined that the requirements for
issuance of an order under 12 U.S.C. 1818(b) and Kentucky
Revised Statutes §§ 286.3-690 have been satisfied, the FDIC
and the KDFI HEREBY ORDER, that the Bank, its institution-
affiliated parties, as that term is defined in section 3(u)
of the Act, 12 U.S.C. § 1813(u), and its successors and
assigns, take affirmative actions as follows:

MANAGEMENT

1. (a) Within sixty (60) of the effective date of
the ORDER, the Bank shall prepare a written analysis and
assessment of the Bank's current management needs and shall
thereafter retain management whose qualifications and

experience are commensurate with each individual's duties and responsibilities at the Bank. Said management shall be provided the necessary written authority to implement the provisions of this ORDER and the qualifications of management shall be assessed on its ability to:

- (i) Comply with the requirements of this ORDER;
- (ii) Operate the Bank in a safe and sound manner;
- (iii) Comply with applicable laws, rules, and regulations; and
- (iv) Restore all aspects of the Bank to a safe and sound condition.

(b) While this ORDER remains in effect, prior to the addition of any individual to the board of directors or the employment of any individual as a senior executive officer, the Bank shall request and obtain the written approval of the Regional Director of the FDIC's Chicago Regional Office ("**Regional Director**") and the KDFI. For purposes of this ORDER, "senior executive officer" is defined as in section 32 of the Act ("**section 32**"), 12 U.S.C. § 1831(i), and section 303.101(b) of the FDIC Rules and Regulations, 12 C.F.R. § 303.101(b).

(c) Within thirty (30) days of the effective date of this ORDER, the Bank shall also prepare a written plan to improve organizational structure providing for written job descriptions, establishing clear lines of authority and reporting, authorization levels, and override authority for all Bank employees.

BOARD PARTICIPATION

2. As of the effective date of this ORDER, the Bank's board of directors ("**Bank's Board**") shall increase its participation in the affairs of the Bank, assuming full responsibility for the approval of sound policies and objectives and for the supervision of all of the Bank's activities. Board minutes shall document all reviews and approvals, including the names of any dissenting directors.

CAPITAL

3. (a) While this ORDER remains in effect, the Bank shall have and maintain its level of Tier 1 capital as a percentage of its total assets ("**capital ratio**") at a minimum of eight and one-half (8.5%) percent and its level of qualifying total capital as a percentage of risk-weighted assets ("**total risk based capital ratio**") at a minimum of twelve (12%) percent. For purposes of this ORDER, Tier 1 capital, qualifying total capital, total

assets, and risk-weighted assets shall be calculated in accordance with Part 325 of the FDIC Rules and Regulations ("**Part 325**"), 12 C.F.R. Part 325.

(b) If, while this ORDER is in effect, the Bank attempts to increase capital by the sale of new securities issued by the Bank, the board of directors of the Bank shall adopt and implement a plan for the sale of such additional securities, including the voting of any shares owned or proxies held by or controlled by them in favor of said plan. Should the implementation of the plan involve public distribution of Bank securities, including a distribution limited only to the Bank's existing shareholders, the Bank shall prepare detailed offering materials fully describing the securities being offered, including an accurate description of the financial condition of the Bank and the circumstances giving rise to the offering, and other material disclosures necessary to comply with Federal securities laws. Prior to the implementation of the plan and, in any event, not less than twenty (20) days prior to the dissemination of such materials, the materials used in the sale of the securities shall be submitted to the FDIC's Accounting and Securities Disclosure Section, 550 17th Street, N.W., Washington, D.C.

20429 and to KDFI, 1025 Capital Center Drive, suite 200, Frankfort, Kentucky 40601 for their review. Any changes requested to be made in the materials by the FDIC or KDFI shall be made prior to their dissemination.

(c) In complying with the provisions of this paragraph, the Bank shall provide to any subscriber and/or purchaser of Bank securities written notice of any planned or existing development or other changes which are materially different from the information reflected in any offering materials used in connection with the sale of Bank securities. The written notice required by this paragraph shall be furnished within ten (10) calendar days of the date any material development or change was planned or occurred, whichever is earlier, and shall be furnished to every purchaser and/or subscriber of the Bank's original offering materials.

(d) Should the Bank be unable to maintain the required capital levels specified in paragraph 3(a) above, then within thirty (30) days of receipt of written direction from the Regional Director and the KDFI, the Bank shall develop, adopt, and implement a written plan to sell or merge itself into another federally insured financial institution, or to otherwise immediately obtain a

sufficient capital investment into the Bank to fully meet the capital requirements of this paragraph. A copy of the written plan required by this paragraph shall be submitted to, and determined to be acceptable by, the Regional Director and the KDFI.

LOSS CHARGE-OFF

4. Within ten (10) days of the effective date of this ORDER, the Bank shall expense and eliminate from its books and records, by charge-off or collection, all assets or portions of assets classified "Loss" in the joint Report of Examination dated January 3, 2013 ("ROE") that have not been previously charged-off or collected, and shall promptly charge off all assets classified "Loss" in any subsequent examination or visitation.

PROHIBITION OF ADDITIONAL LOANS TO CLASSIFIED BORROWERS

5. (a) As of the effective date of this ORDER, the Bank shall not extend, directly or indirectly, any additional credit to, or for the benefit of, any borrower who is already obligated in any manner to the Bank on any extensions of credit (including any portion thereof) that has been charged off the books of the Bank or classified "Loss" in the ROE, or in any subsequent examination or visitation, so long as such credit remains uncollected.

(b) As of the effective date of this ORDER, the Bank shall not extend, directly or indirectly, any additional credit to, or for the benefit of, any borrower whose loan or other credit has been classified "Substandard", "Doubtful," or is listed for Special Mention in the ROE, or in any subsequent examination or visitation, and remains uncollected unless the Bank's Board has adopted, prior to such extension of credit, a detailed written statement giving the reasons why such extension of credit is in the best interest of the Bank. A copy of the statement shall be signed by each Director and incorporated in the minutes of the applicable board of directors' meeting. A copy of the statement shall also be placed in the appropriate loan file.

REDUCTION OF DELINQUENCIES AND CLASSIFIED ASSETS

6. (a) Within sixty (60) days from the effective date of this ORDER, the Bank shall revise, adopt, implement, and adhere to, a written plan to reduce the Bank's risk position in each asset in excess of \$300,000 which is more than ninety (90) days delinquent or classified "Substandard" or "Doubtful" in the ROE. The plan shall include, but not be limited to, provisions which:

- (i) Prohibit an extension of credit for the payment of interest, unless the Bank's Board provides, in writing, a detailed explanation of why the extension is in the best interest of the Bank;
- (ii) Review of the current financial condition of each delinquent or classified borrower, including a review of borrower cash flow and collateral value;
- (iii) Evaluate the available collateral for each credit, including possible actions to improve the Bank's collateral position; and
- (iv) Provide for the submission of monthly written progress reports to the Bank's Board for review and notation in minutes of the meetings of the board of directors.

(b) As used in this paragraph, "reduce" means to: (1) collect; (2) charge off; (3) sell; or (4) improve the quality of such assets so as to warrant removal of any adverse classification by the FDIC and the KDFI.

(c) A copy of the plan required by this paragraph shall be submitted to the Regional Director and the KDFI.

(d) While this ORDER remains in effect, the plan shall be revised to include assets which become more than ninety (90) days delinquent after the effective date of this ORDER or are classified "Substandard" or "Doubtful" by management or regulators at any subsequent examination or visitation.

CREDIT ADMINISTRATION

7. Within thirty (30) days from the effective date of this ORDER, the Bank shall correct and fully address all credit administration deficiencies noted in the ROE.

ALLOWANCE FOR LOAN AND LEASE LOSSES ("ALLL")

8. (a) Within thirty (30) days from the effective date of this ORDER, the Bank shall correct and fully address all ALLL methodology deficiencies noted in the ROE.

(b) Prior to the submission of all Reports of Condition and Income required by the FDIC after the effective date of this ORDER, the Bank's Board shall review the adequacy of the Bank's ALLL, provide for an adequate ALLL, and accurately report the same. The minutes of the board meeting at which such review is undertaken shall

indicate the findings of the review, the amount of increase in the ALLL recommended, if any, and the basis for determination of the amount of ALLL provided. In making these determinations, the Bank's Board shall consider the FFIEC Instructions for the Reports of Condition and Income and any analysis of the Bank's ALLL provided by the FDIC or the KDFI.

(c) ALLL entries required by this paragraph shall be made prior to any capital determinations required by this ORDER.

PROFIT PLAN AND BUDGET

9. (a) Within sixty (60) days from the effective date of this ORDER, the Bank shall adopt, implement, and adhere to a written profit plan and a realistic, comprehensive budget for all categories of income and expense for calendar years 2013 and 2014. The plans required by this paragraph shall contain formal goals and strategies, consistent with sound banking practices, to reduce discretionary expenses and to improve the Bank's overall earnings, and shall contain a description of the operating assumptions that form the basis for major projected income and expense components.

(b) Within thirty (30) days from the end of each calendar quarter following completion of the profit plans and budgets required by this paragraph, the Bank's Board shall evaluate the Bank's actual performance in relation to the plan and budget, record the results of the evaluation, and note any actions taken by the Bank in the minutes of the board of directors' meeting at which such evaluation is undertaken.

(c) A written profit plan and budget shall be prepared for each calendar year during which this ORDER is in effect.

(d) Copies of the plans and budgets required by this paragraph shall be submitted to the Regional Director and the KDFI for review and comment.

DIVIDEND RESTRICTION

10. As of the effective date of this ORDER, the Bank shall not declare or pay any dividend without the prior written consent of the Regional Director and the KDFI.

STRATEGIC PLAN

11. (a) Within sixty (60) days from the effective date of this ORDER, the Bank shall formulate, adopt, and implement a realistic, comprehensive strategic plan. The plan required by this paragraph shall contain an assessment

of the Bank's current financial condition and market area, and a description of the operating assumptions that form the basis for major projected income and expense components. The written strategic plan shall address, at a minimum:

- (i) Strategies for pricing policies and asset/liability management;
- (ii) Financial goals, including pro forma statements for asset growth, capital adequacy, and earnings;
- (iii) Goals for reducing problem loans; and
- (iv) Plans for attracting and retaining qualified individuals to fill any vacancies identified by the Management Study required by this ORDER.

(b) Within thirty (30) days from the end of each calendar quarter following the effective date of this ORDER, the Bank's Board shall evaluate the Bank's actual performance in relation to the strategic plan required by this paragraph and record the results of the evaluation, and any actions taken by the Bank, in the minutes of the board of directors' meeting at which such evaluation is undertaken.

(c) The strategic plan required by this ORDER shall be revised thirty (30) days prior to the end of each calendar year during which this ORDER is in effect. Thereafter the Bank's Board shall approve the revised plan, which approval shall be recorded in the minutes of the board of directors' meeting at which approval is granted, and the Bank shall implement and adhere to the revised plan.

(d) Copies of the plan and revisions thereto required by this paragraph shall be submitted to the Regional Director and the KDFI for review and comment.

CORRECTION OF VIOLATIONS

12. Within thirty (30) days from the effective date of this ORDER, the Bank shall eliminate and/or correct all violations of law, rule, or regulation, as well as contraventions of regulatory policy, cited in the ROE, and shall implement procedures to ensure future compliance with all applicable laws, rules, regulations, and policies.

LIQUIDITY MANAGEMENT

13. Within thirty (30) days of the effective date of this ORDER, the bank shall develop comprehensive liquidity risk measurement and monitoring systems, including assessments of the current and prospective cash flows or

sources and uses of funds. The measurement system should include robust methods for comprehensively projecting cash flows arising from assets, liabilities, and off-balance-sheet items over an appropriate set of time frames, including thirty, sixty, and ninety days. At a minimum, the monitoring system should be prepared in conformance with the Funding and Liquidity Risk Management Guidance found in FIL-13-2010 and include provisions to fully address the liquidity issues identified in the ROE.

COMPLIANCE WITH ORDER

14. Within thirty (30) days from the effective date of this ORDER, the Bank shall establish a compliance committee comprised of at least three (3) directors. No committee member may be an executive officer or principal shareholder, as those terms are defined in sections 215.2(e)(1) and (m) of Regulation O, 12 C.F.R. §§ 215.2(e)(1) and (m). The committee shall monitor compliance with this ORDER and shall submit to the Bank's Board for consideration at its regularly scheduled meeting a written report detailing the Bank's compliance with this ORDER. The compliance report shall be incorporated into the minutes of the board of directors' meeting. Establishment of this committee does not in any way

diminish the responsibility of the entire board of directors to ensure compliance with the provisions of this ORDER.

PROGRESS REPORTS

15. Within thirty (30) days from the end of each calendar quarter following the effective date of this ORDER, the Bank shall furnish to the Regional Director and the KDFI written progress reports, signed by each member of the Bank's Board, detailing the actions taken to secure compliance with the ORDER and the results thereof.

CLOSING PARAGRAPHS

The effective date of this ORDER shall be the date of its issuance by the FDIC and the KDFI.

The provisions of this ORDER shall be binding upon the Bank, its institution-affiliated parties, and any successors and assigns thereof.

The provisions of this ORDER shall remain effective and enforceable except to the extent that, and until such time as, any provision has been modified, terminated,

suspended, or set aside by the FDIC and the KDFI.

Pursuant to delegated authority.

Dated: June 7, 2013

/S/_____
M. Anthony Lowe
Regional Director
Chicago Regional Office
Federal Deposit Insurance
Corporation

/S/_____
Charles A. Vice
Commissioner
Department of Financial
Institutions
Commonwealth of Kentucky